

Corporate tax may be reduced

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PUTRAJAYA: Prime Minister Datuk Seri Dr Mahathir Mohamad said yesterday the government may cut corporate tax in next year's federal budget which will be tabled in parliament in October.

"We have studied the possibility (of a corporate tax reduction). We must also consider our needs in terms of the revenue to be raised from taxpayers," he told reporters after chairing the opening session of the Budget 2002 dialogues attended by 50 government and non-government agencies here. The current corporate

tax is pegged at 28%.

Mahathir, who is also the finance minister, said: "We are considering reducing some taxes which can help to expand certain businesses."

However, he said the government cannot simply reduce all taxes without seeing any returns as the government will be short in its allocations.

"Then we will have a bigger budget deficit compared to now."

Mahathir also said the government will give a general incentive to those who invest more at home as the government now wants to focus more on domestic investment.

"Some Malaysians opt for foreign investment and this

results in the outflow of funds and there are also Malaysians who invest in foreign countries and we hope there will be dividends later from their investment efforts," he said.

Asked if the government will discourage Malaysians from making foreign investments, he said the government will be very careful when allowing them to do so.

"In Asia, most of the FDI is going to China and because of that domestic investment becomes more important," Mahathir said.

"Even though private sector investments have grown, the amount and rate of growth is still not satisfactory and is still below pre-crisis levels."

Mahathir said the private sector should improve its competitiveness and resilience in the face of globalisation, liberalisation and the impending implementation of the Afta (Asean Free Trade Area) agreement.

He said Malaysia needs to pay attention to increasing productivity, research and development activities and intensifying the use of advanced technology.

"Our involvement in R&D is still low, at only 0.4% of the Gross Domestic Product.

"Our competitiveness also hasn't improved much, only around the 27th to 29th place from 1999 to April 2001, according to the World Competitiveness Yearbook 2001," he added.